

Reviewing Single Audit Reports

Background: Agency of Administration Bulletin 5 requires State of Vermont Agencies and Departments to review single audit reports for their subrecipients. It further requires the primary pass-through entity to take the lead on several related activities. The following are excerpts from Bulletin 5 describing the requirements of single audit review:

Once the audit is complete, it is the subrecipient's responsibility to submit the final audit report to the pass-through entity. The pass-through entity must review the audit results for any audit findings and the subrecipient's planned corrective action to determine whether the subrecipient is complying with the grant agreement requirements. When several state agencies grant funds to the same subrecipient, the Department of Finance and Management shall assign one pass-through entity as the primary pass-through entity responsible for receiving and reviewing the audit. However, any pass-through entity is entitled to request a copy of the single audit from its subrecipients and they should review the audit and communicate their comments to the primary pass-through entity to ensure that they are properly recorded in the tracking system.

The primary pass-through entity is responsible for ensuring that the subrecipient submits copies of the audit, reviewing the audit, and posting this information and information on findings in the tracking system. A copy of the review must be filed in the Grant file. It is also required to communicate with any state pass-through entity with findings that impact their grant agreement with the subrecipient.

Each individual pass-through entity is required to issue a management decision concerning any related audit findings. If an audit finding affects programs of more than one federal agency, the primary pass-through entity is responsible for coordinating a management decision among the separate pass-through entities. Management decisions shall clearly state whether the audit finding is sustained, the reasons for the decision, and the expected subrecipient actions to repay disallowed costs, make financial adjustments, or take other action.

Issues: How should the primary pass-through entity coordinate single audit review? Can the differing responsibilities of primary pass-through entities and other pass-through entities be clearly defined?

Response: In order to further clarify requirements of Bulletin 5, the following procedures are to be used by all pass-through entities when reviewing a subrecipient's single audit report.

Definitions:

Agency - is used to describe any pass-through entity of the State of Vermont, whether it is an Agency, Department, Office or some other entity of state government.

Primary - is used to indicate a pass-through entity that has been designated by Finance & Management as the lead, or cognizant, agency for single audit review purposes and as defined in AOA Bulletin 5.

Secondary - is used to indicate a pass-through entity that has not been designated as the Primary Pass-Through Entity by Finance & Management.

Procedures:

1. Upon receipt of a single audit report, the primary pass-through entity will contact all secondary pass-through entities whose programs were included in the SEFA. This contact will be a brief email or other communication notifying them that the single audit report is available and that the subrecipient has expended funds from one or more of their programs. As a courtesy, if the audit report has been

- received electronically, a copy of the report should accompany the email to the secondary pass-through entities. The primary is not expected to review the entire single audit report immediately upon receipt, nor are they expected to make a hard copy of the report for the secondary pass-through entities or notify them of any findings that may appear in the report.
2. The primary will check the Single Audit Received checkbox on VISION Review page.
 3. If not already received, the secondary pass-through entity will request a copy of the single audit from the subrecipient. Upon receipt, the secondary will review it and identify any findings affecting their programs. As part of their monitoring activities, all pass-through entities should review single audit reports for their subrecipients regardless of which agency has been designated as the primary.
 4. The primary pass-through entity must review the single audit report within 45 days after receipt and determine if the report contains audit findings related to internal controls or to programs passed through the State of Vermont. If the single audit report does contain such findings, the primary pass-through entity will request a corrective action plan from the subrecipient within this 45 day period. The request will be in writing to the subrecipient and will require them to send copies of the corrective action plan to the primary and all secondary agencies.
 - If the single audit report itself contains a corrective action plan, the request by the primary for a separate corrective action plan may not be necessary.
 - The Primary is responsible for reviewing the corrective action plan for all findings related to internal controls and to its own agency's programs. If a corrective action plan is deemed incomplete or inadequate to address the audit finding, the primary should contact the subrecipient for follow-up.
 - The Primary is not responsible for reviewing the corrective action plan for findings related to a secondary's program.
 - The secondary is responsible for reviewing the corrective action plan for findings related to their programs and to make a decision on the completeness and adequacy of the related corrective action plan.
 - If a corrective action plan is deemed incomplete or inadequate by a secondary, they should contact the subrecipient directly for follow-up. It is not necessary to involve the Primary in this correspondence.
 - State of Vermont agencies are not required to review or comment on findings contained in the report related to programs not passed through the State of Vermont.
 5. The primary will check the Audit Reviewed checkbox and, if applicable, will check the appropriate Corrective Action Plan checkboxes in VISION.
 6. Management Decision Letters

Audit with findings: The Primary is responsible for ensuring that a management decision letter is sent to the subrecipient within 6 months after the audit report was received and that it contains a decision on all findings contained in the audit report (exclusive of programs from non-State of Vermont entities).

The primary will draft the initial letter which will cover all findings related to internal controls and the primary pass-through's programs. The primary will send a draft of the letter to all secondary pass-through entities for their review and additional comments.

Secondary pass-through entities must provide a decision on findings related to their programs and must communicate these comments to the primary for inclusion in the management decision letter. (It is NOT the responsibility of

the primary to draft comments on findings related to a secondary pass-through entity's program.) Therefore, a response back to the primary is required by all secondaries, even if they have no further comments.

The management decision letter must be sent to the subrecipient within 6 months after receipt of the audit report. Therefore, the draft must be distributed to secondary pass-through entities in a timely fashion to allow for their comments to be included in the final letter.

Audit without findings: It is recommended, though not required, that the primary send a letter to the subrecipient acknowledging their audit report was reviewed and contained no findings. If such a letter is sent, a copy will be maintained in the primary pass-through entity's grant files.

7. The primary will check the Audit Accepted checkbox and, if applicable, will indicate that the management decision letter has been sent in VISION.
8. Comments - Comments may be entered in VISION by either the primary or secondary pass-through entity as needed.

VISION Data Entry - As mentioned above, the primary pass-through entity is responsible for recording single audit review information in the VISION Grant Tracking module. The primary is expected to mark a single audit received when it is received, not after the audit review work has been completed. The same is true for all other checkboxes and other information contained in VISION. Since the time between receiving a single audit report and when its review is finalized and a management decision letter is sent can be as long as 6 months, it is the expectation of Finance & Management that VISION will be updated as events occur and not all at once after the fact.

Official Grant File - As required by Bulletin 5, documentation of all monitoring activities, including activities and correspondence related to single audit review must be kept on file in the pass-through entity's official grant file. The contents of this file must be made available to Finance & Management and/or auditors upon request.